R. Dis File No. 185

1939

Collection No.

17

CB
21/7/47

Mysore Residency

(W)

PG

Pros. Serial Nos. 1 — 4

Subject.

Income Tax (Amendment) Bill 1938.

Previous References.

RD 377/38 (W)

Later References.

R.D. 31-39 (II)

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11/11/46

S. 97.—(Green).

MFP—1663 S&P—(M-2971)—24-6-38—100,000.

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(1)

followed.

I have the honour to be,

Sir,

Your most obedient servant,

Mr. V.T.M

T.S. Pillay.

First Secretary, Central Board of Revenue.

Copy with a copy of the letter replied to, forwarded to all Commissioners of Income-tax, including the Special Investigating Officer, Bombay, for information.

*6 copies

By order, etc.,

8-3-39

First Secretary, Central Board of Revenue.

OFFICE OF THE
HON'BLE THE RESIDENT
IN MYSORE, BANGALORE.
Diary No. 2683
File No. R.P. 377-36

R.Dis.No.564-I.T./38.

CENTRAL BOARD OF REVENUE.

New Delhi, the 28th February 1939.

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From

T.S. Pillay, Esquire, M.A., B.L.,

First Secretary, Central Board of Revenue,

To

The Secretary,

Association of Life Assurance Offices in India,
North British Buildings, 101/1,
Clive Street, Calcutta.

Sir,

Non-resident - Insurance companies - Payment of interest to - Non-deduction of tax at source from -

With reference to your letter dated the 23rd January 1939, I am directed to inform you that if any of your members give an undertaking in writing that they will treat the interest as receivable in full without deduction of tax for the purpose of the returns to be made under the Indian Income-tax Act and to acquiesce in that treatment in the assessments to be made on them, the Central Board of Revenue will raise no objection to their applying to borrowers for payment of interest in full and to their including in their application forms a note that application is made for payment of interest without deduction of income-tax in accordance with an arrangement entered into with the Central Board of Revenue. In any case in which the right to deduct tax was insisted upon by the borrower the statutory procedure under section 18(3A) could be

followed.....

Copy of letter dated the 23rd January, 1939 from the Secretary, Association of Life Assurance Offices in India, Calcutta, to the Secretary, Central Board of Revenue, New Delhi.

.....

Indian Income-tax (Amendment) Bill 1938.

I am directed by my Committee to refer to Clause (d) of Section 19 of the above Bill which introduces the following new sub-section (No.3A) in Section 18 of the Indian Income Tax Act:-

"Any person responsible for paying to a person not resident in British India any interest not being 'Interest on Securities', or any other sum chargeable under the provisions of this Act, shall, at the time of payment, unless he is himself liable to pay income-tax thereon as an agent, deduct income-tax at the maximum rate."

By virtue of Section 5 of the Bill which introduces the new Section No.4A(c) into the Income Tax Act, all the Members of this Association are "not resident" for the purposes of the Income Tax Act, and the effect of the new sub-section (3A) in Section 18 of the Income Tax Act would therefore appear to be that any policyholder who has obtained a loan from any "non-resident" Insurance Company will require to deduct income tax from the interest paid to the Company on such loan. At the same time he will require to furnish the Company with a certificate to the effect that tax has been deducted from the interest (sub-section (9) of Section 18 of the Act as amended by Clause (1) of Section 19 of the Bill - also Rule 13-B under the Act).

In such an event the Insurance Company should receive credit in its assessment for such tax deductions in the same manner as for tax deducted at source from Interest on Securities (Section 18 (5) of the Act). It would seem that

this .....

this would be the position in the case of an Insurance Company assessed on the basis of "Interest less Expenses" (Clause (a) of Rule 2 of Section 78 of the Bill) or on the "Profits" basis (Clause (b) of Rule 2 of Section 78 of the Bill) where the "Profits" are disclosed as the result of an annual valuation. The position, on the other hand, is not clear in the case of a Company assessed on the "Profits" basis where the inter-valuation period exceeds one year, as Rule 4 in Section 78 refers only to "Interest on Securities" and not to other interest, unless the words "or otherwise" which occur in Rule 4 are taken by Government to cover such other interest.

My Committee are most strongly of the opinion that deduction of tax by borrowers from interest on policy value loans obtained from "non-resident" Insurance Companies will prove to be most cumbersome in practice. Apart from the certificate of deduction to be given by the borrower to the Insurance Company, he is also required, by Rule 12-A, to send a statement to Government within a week of payment and later, on a requisition by the Income Tax Officer, to pay the amount of the tax deducted to Government within one week.

My Committee desire to point out that there are many thousands of policy value loans in existence in India (many of very small amount) and, probably, in the majority of cases, the policy-holders who have taken these loans do not themselves have incomes sufficiently large to be subject to assessment to income tax. In many

cases.....

cases too, the policy-holders may be illiterate and my Committee consider that it is not reasonable to require that such persons should be considered by Government to have knowledge of the above requirements of the Income Tax Act.

Having regard to the expense and difficulty which will be involved to Government in the collection of these numerous small items of income tax, my Committee suggest that the Income Tax (Amendment) Bill 1938 should be amended so as to permit of the existing practice being continued whereby interest on policy value loans is payble in full to the Insurance Company which, in turn, includes such interest in its Return to the Income Tax Authorities and pays tax thereon.

My Committee consider that the expense of collection of numerous small amounts of tax would be out of proportion to the Revenue obtained and they feel that the present practice of paying interest gross to the Insurance Companies is the simplest method by which this Revenue can be collected by Government. They therefore trust that an additional sub-section will be added to provide that policy-value loan interest be paid gross to "non-resident" Insurance Companies and taxed by inclusion in the Insurance Companies' assessments.

RP/7

Issue Kc 27.3.39. S.N.2 4

Res. Mysore 39.

Issued 1CH 1874/39.

OFFICE OF THE HON'BLE THE RESIDENT IN MYSORE,
Bangalore, the 18 th April *1939.*

R.Dis. No. F. 185-39 Judl.

A copy of the undermentioned paper(s) is forwarded to the Assistant Commissioner of Income-tax, C & M Station, Bangalore, for information.

for information, in continuation of / with reference to the correspondence ending with his memorandum / letter / endorsement from

No. dated the

By order, etc.,

for *Secretary* / ~~Asst. Secy.~~ *to the Resident.*

LIST OF PAPERS.

S.N.1 p.u.c — Endorsement from the Central Board of Revenue R.Dis.No.564-I.T./38, dated the 8th March 1939 with enclosures.

284 2 Gen

23/3/39. Kc 25.3.39.

1687—12-3-1937—2,000—RPB.

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S.N3

C. R. Mr V.T.M

No. 167

INDIAN POSTS AND TELEGRAPHS DEPARTMENT

BANGALORE MAR 39

O 19.45 NEW DELHI 29 STE 31

COMMISSIONER INCOMETAX BANGALORE

39(2)IT/39 FINANCE BILL PROPOSALS REGARDING INCOMETAX AND SUPERTAX HAVE LEGAL EFFECT FROM FIRST APRIL STOP INFORM ANY PERSON ENQUIRING ABOUT DEDUCTION AT SOURCE

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21.37 278

OFFICE OF THE ... RESIDENT ... BANGALORE.
Dated 31/4/39
No. 3417
File No. RD 155/39

Refer to CKM Station - Bangalore forwarded 4/5/39

The sequence of entries at the beginning of this telegram is—class of telegram, time handed in, serial number (in the case of foreign telegrams only), office of origin, date, service instructions (if any) and number of words.

This form must accompany any enquiry respecting this telegram.

MGIPPAb.—

S.N.4

Issue 3.4.39.

Res. Mysore 38.

Issued KCB 5/4/39.

OFFICE OF THE HON'BLE THE RESIDENT IN MYSORE,

Bangalore, the 5th April *1939.*

R.Dis. No. F. 185-39
~~XXXX~~ Judl.

A copy of the undermentioned paper is forwarded to the Asst. Commr. of Income-tax, C & M Station, Bangalore, for information.

A copy of the undermentioned paper(s) is forwarded with compliments to the Secretary to the Government of His Highness the Maharaja of Mysore, Department for information, in continuation of / with reference to the correspondence ending with (his) memorandum / letter / endorsement from

No. dated the

By order, etc.,

3.4.39

for *Secretary to the Resident.*
& Commr. of Income-tax.

LIST OF PAPERS.

Telegram from the Central Board of Revenue dated the 29th March 1939.

Rcd 1/4/39 KC 3.4.39.

7.4.39

1686—12-3-1937—2,000—RPB.